

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 84 of 101 Page ID #:260

understand that communications transmitted over the Internet may be accessed by unauthorized or unintended third parties and agree to hold Robinhood, its Affiliates, and Robinhood and its Affiliates' respective officers and employees harmless for any such access regardless of the cause.

I agree to promptly and carefully review all Account Documents when they are delivered and notify Robinhood Financial in writing within five (5) calendar days of delivery if I object to the information provided (or other such time specified herein). If I fail to object in writing within such time, Robinhood Financial is entitled to treat such information as accurate and conclusive. I will contact Robinhood to report any problems with accessing the Account Documents.

C. Costs.

Potential costs associated with electronic delivery of Account Documents may include charges from Internet access providers and telephone companies, and I agree to bear these costs. Robinhood Financial will not charge Me additional online access fees for receiving electronic delivery of Account Documents.

D. Archival.

Upon My request, I may obtain copies of up to six (6) prior years of account statements, and three (3) prior years of trade confirmations.

E. Revocation of Consent.

Subject to the terms of this Agreement, I may revoke or restrict My consent to electronic delivery of Account Documents at any time by notifying Robinhood Financial in writing of My intention to do so. I also understand that I have the right to request paper delivery of any Account Document that the law requires Robinhood Financial to provide Me in paper form. Robinhood Financial will not treat My request for paper copies as a withdrawal of My consent to electronic delivery of Account Documents. I understand that if I revoke or restrict My consent to electronic delivery of Account Documents or request paper delivery of same, Robinhood Financial, in its sole discretion, may charge Me a reasonable service fee for the delivery of any Account Document that would otherwise be delivered to Me electronically, restrict or close My account, or terminate My access to Robinhood Financial's services. I understand that neither My revocation or restriction of consent, My request for paper delivery, nor Robinhood Financial's delivery of paper copies of Account Documents will affect the legal effectiveness or validity of any electronic communication provided while My consent was in effect.

F. Duration of Consent.

My consent to receive electronic delivery of Account Documents will be effective immediately and will remain in effect unless and until either I or Robinhood Financial revokes it. I understand that it may take up to three (3) Business Days to process a revocation of consent to electronic delivery, and that I may receive electronic notifications until such consent is processed.

G. Hardware and Software Requirements.

I understand that in order to receive electronic deliveries, I must have access to a computer or Mobile Device with Internet access, a valid e-mail address, and the ability to download such applications as Robinhood Financial may specify and to which I have access. I also understand that if I wish to download, print, or save any information I wish to retain, I must have access to a printer or other device in order to do so.

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 85 of 101 Page ID #:261

H. Consent and Representations.

I hereby agree that I have carefully read the above information regarding informed consent to electronic delivery and fully understand the implications thereof. Additionally, I hereby agree to all conditions outlined above with respect to electronic delivery of any Account Document. I will maintain a valid e-mail address and continue to have access to the Internet. If My e-mail address changes, I agree to immediately notify Robinhood Financial of My new e-mail address in writing.

37. Miscellaneous Provisions.

The following provisions shall also govern this Agreement:

A. Contact Information.

Robinhood Customer Service may be contacted by visiting support.robinhood.com or by email at help@robinhood.com.

B. Interpretation.

The heading of each provision hereof is for descriptive purposes only and shall not be (1) deemed to modify or qualify any of the rights or obligations set forth herein or (2) used to construe or interpret any of the provisions hereunder. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The word "or," when used in this Agreement, has the inclusive meaning represented by the phrase "and/or." Unless the context of this Agreement otherwise requires: (i) words using the singular or plural number also include the plural or singular number, respectively; and (ii) the terms "hereof," "herein," "hereunder" and derivative or similar words refer to this entire Agreement. References to any law shall be deemed to refer to such law as amended from time to time and to any rules or regulations promulgated thereunder.

C. Binding Effect; Assignment.

This Agreement shall bind My heirs, assigns, executors, successors, conservators and administrators. I may not assign this Agreement or any rights or obligations under this Agreement without first obtaining Robinhood's prior written consent. Robinhood may assign, sell, or transfer My Account and this Agreement, or any portion thereof, at any time, without My prior consent.

D. Severability.

If any provisions or conditions of this Agreement are or become inconsistent with any present or future law, rule, or regulation of any applicable government, regulatory or self-regulatory agency or body, or are deemed invalid or unenforceable by any court of competent jurisdiction, such provisions shall be deemed rescinded or modified, to the extent permitted by applicable law, to make this Agreement in compliance with such law, rule or regulation, or to be valid and enforceable, but in all other respects, this Agreement shall continue in full force and effect.

E. Website Postings.

I agree and understand that Robinhood Financial may post other specific agreements, disclosures, policies, procedures, terms, and conditions that apply to My use of the App, the Website, or My Account

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 86 of 101 Page ID #:262

on the Website ("Website Postings"). I understand that it is My continuing obligation to understand the terms of the Website Postings, and I agree to be bound by the Web Postings as are in effect at the time of My use.

F. Entirety of Agreement.

This Agreement, any attachments hereto, other agreements and policies referred to in this Agreement (including the Website Postings), and the terms and conditions contained in My Account statements and confirmations, contain the entire agreement between Robinhood and Me and supersede all prior or contemporaneous communications and proposals, whether electronic, oral, or written, between Robinhood and Me, provided, however, that any and all other agreements between Robinhood and Me, not inconsistent with this Agreement, will remain in full force and effect.

G. Amendment.

Robinhood may at any time amend this Agreement without prior notice to Me. The current version of the Agreement will be posted on the Website and My continued Account activity after such amendment constitutes My agreement to be bound by all then-in-effect amendments to the Agreement, regardless of whether I have actually reviewed them. Continued use of the App, the Website or any other Robinhood Financial services after such posting will constitute My acknowledgment and acceptance of such amendment. I agree to regularly consult the Website for up-to-date information about Robinhood Financial services and any modifications to this Agreement. Robinhood is not bound by any verbal statements that seek to amend the Agreement.

H. Termination.

Robinhood may terminate this Agreement, or close, deactivate, or block access to My Account at any time in its sole discretion. I will remain liable to Robinhood for all obligations incurred in My Account, pursuant to this Agreement, or otherwise, whether arising before or after termination. I may terminate this Agreement after paying any obligations owed upon written notice. This Agreement survives termination of My Account.

I. No Waiver; Cumulative Nature of Rights and Remedies.

I understand that Robinhood's failure to insist at any time upon strict compliance with any term contained in this Agreement, or any delay or failure on Robinhood's part to exercise any power or right given to Robinhood in this Agreement, or a continued course of such conduct on Robinhood's part, shall at no time operate as a waiver of such power or right, nor shall any single or partial exercise preclude any other further exercise. All rights and remedies given to Robinhood in this Agreement are cumulative and not exclusive of any other rights or remedies to which Robinhood is entitled.

J. International Customers.

The products and services described on the Website are offered only in jurisdictions where they may be legally offered. Neither the Website nor the App shall be considered a solicitation for or offering of any investment product or service to any person in any jurisdiction where such solicitation or offering would be illegal. I understand that Robinhood, in its sole discretion, may accept unsolicited accounts from non-U.S. residents, depending on the country of residence and other factors. I understand that Robinhood is based in the United States and that Robinhood accepts only U.S. currency in Robinhood's customer accounts.

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 87 of 101 Page ID #:263

K. Governing Law.

This Agreement and all transactions made in My Account shall be governed by the laws of the State of California (regardless of the choice of law rules thereof), except to the extent governed by the federal securities laws, FINRA Rules, and the regulations, customs and usage of the exchanges or market (and its clearing house) on which transactions are executed.

38. Arbitration.

A. This Agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement, the parties agree as follows: (1) All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed. (2) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited. (3) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings. (4) The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date. (5) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry. (6) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court. (7) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement. B. Any controversy or claim arising out of or relating to this Agreement, any other agreement between me and Robinhood, any Account(s) established hereunder, any transaction therein, shall be settled by arbitration in accordance with the rules of FINRA Dispute Resolution, Inc. ("FINRA DR"). I agree to arbitrate any controversy or claim before FINRA DR in the State of California. C. This agreement to arbitrate constitutes a waiver of the right to seek a judicial forum unless such a waiver would be void under the federal securities laws. If I am a foreign national, non-resident alien, or if I do not reside in the United States, I agree to waive My right to file an action against Robinhood in any foreign venue. D. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (1) the class certification is denied; or (2) the class is decertified; or (3) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

ACCEPTED AND AGREED: I acknowledge that I have read the preceding terms and conditions of this Agreement, that I understand them and that I hereby manifest my assent to, and my agreement to comply with, those terms and conditions by accepting this agreement. I ALSO UNDERSTAND THAT BY ACCEPTING THIS AGREEMENT I HAVE ACKNOWLEDGED THAT THIS AGREEMENT CONTAINS A PREDISPUTE ARBITRATION CLAUSE IN SECTION 38 HEREIN. I ALSO AGREE (1) THAT ANY OF MY MARGIN ACCOUNT SECURITIES MAY BE BORROWED BY ROBINHOOD OR LOANED TO OTHERS; (2) I HAVE RECEIVED OF A COPY OF THIS AGREEMENT AND (3) I HAVE REVIEWED A COPY OF THE MARGIN DISCLOSURE STATEMENT.

Appendix A

Electronic Fund Transfer Services Disclosures

The following disclosures apply to the use of any EFT services offered by Robinhood, including the Card, ACH transactions and the Move Money functionality of the App.

Solely for purposes of these disclosures: (i) references to the Bank shall include any financial institution that issues the Card or provides services in connection with ACH, Move Money or other EFT transactions; (ii) "you" and "your" mean the owner of the Account; and (iii) "we" and "us" means Robinhood and the Bank collectively.

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 88 of 101 Page ID #:264

1. Your Liability.

Contact Robinhood Customer Service AT ONCE if you believe your Card or PIN has been lost or stolen or if you believe that an electronic fund transfer has been made without your permission. Telephoning is the best way of keeping your losses down. You could lose all the Available Funds in your Account (plus your maximum overdraft line of credit). If you tell Robinhood within 2 business days after you learn of the loss or theft of your Card or PIN, you can lose no more than \$50 if someone used your Card or PIN without your permission.

If you do NOT tell Robinhood within 2 business days after you learn of the loss or theft of your Card or PIN, and Robinhood can prove that it could have stopped someone from using your Card or PIN without your permission if you had told Robinhood, you could lose as much as \$500.

Also, if your statement shows transfers that you did not make, including those made by Card or using your PIN, tell Robinhood at once. If you do not tell Robinhood within sixty (60) days after the statement was mailed to you, or otherwise made available to you, you may not get back any money you lost after the sixty (60) days if Robinhood can prove that Robinhood could have stopped someone from taking the money if you had told Robinhood in time. If a good reason (such as a long trip or a hospital stay) kept you from telling Robinhood, Robinhood will extend the time periods.

2. Contact in event of unauthorized transfer.

If you believe your Card or PIN has been lost or stolen, contact Robinhood by emailing help@robinhood.com.

3. Business Days.

Business Days are Monday through Friday, excluding federal holidays.

4. Transfer Types and Limitations.

You may use your Card to make purchases at any merchant that accepts Mastercard debit cards or debit cards of other networks in which the Bank participates, and to make ATM withdrawals, in each case subject to the Available Funds in your Account, the transaction limits described below, and the other terms and conditions of this Agreement. You acknowledge and agree that the value available to you for use with the Card is limited to the Available Funds in your Account. So long as you do not exceed the Available Funds in your Account, you may use the Card to purchase goods or services wherever the Card is honored, and to obtain cash by initiating cash withdrawal transactions through the Card from any financial institution or ATM that accepts the Card. Each time you use the Card, you authorize Robinhood to reduce the Available Funds in your Account by the amount of the purchase or withdrawal and any applicable fees, costs, or holdings. Nevertheless, if you exceed the Available Funds in your Account you shall remain fully liable to Robinhood for the amount of the transactions and any applicable fees and charges.

You may also make ACH withdrawals from your Account, either originated through Robinhood or originated by a third party (a "non-originated" withdrawal), subject to the Available Funds in your Account, the transaction limits described below, and the other terms and conditions of this Agreement. You also may make ACH deposits to your Account, either originated through Robinhood or originated by a third party (a "non-originated" deposit), subject to the transaction limits described below.

There are limits on the dollar amount of transactions you can make with your Card each day and each month, and limits on the amount of ACH withdrawals and deposits you can make each day. The following lists the limits for each type of transaction:

Originated ACH Withdrawals* Daily Limit: \$50,000.00
Weekly Limit: N/A Monthly Limit: N/A

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 89 of 101 Page ID #:265

Originated ACH Deposits* Daily Limit: \$50,000.00
Weekly Limit: N/A Monthly Limit: N/A

Non-Originated ACH Withdrawals* Daily Limit: \$250,000.00
Weekly Limit: N/A Monthly Limit: N/A

Non-Originated ACH Deposits* Daily Limit: \$250,000.00
Weekly Limit: N/A Monthly Limit: N/A

Point of Sale Purchases with the Card* Daily Limit: \$5,000.00 Weekly Limit: N/A Monthly Limit: \$15,000.00

ATM Withdrawals* Daily Limit: \$510.00 Weekly Limit: N/A Monthly Limit: \$5,000.00

Originated ACH* Daily Limit: N/A, subject to the Weekly Limit Weekly Limit: \$2,999 Monthly Limit: N/A

5. Fees.

We will not charge you any fees for use of ATMs that are part of the AllPoint or MoneyPass ATM networks, or for point of sale transactions using the Card, or for initiating other EFTs on your behalf. If you withdraw funds from ATMs outside of the AllPoint or MoneyPass ATM networks, you may be separately assessed fees by those ATM owners or operators.

6. Confidentiality.

We may disclose information to third parties about you, your Card, or the transactions you make using any of the EFT services we provide:

1. Where it is necessary or helpful for completing or correcting transactions and resolving claims regarding transactions;
2. In order to verify the existence and condition of your Card or your Account for a third party, such as a merchant;
3. In order to comply with a valid request by a government agency, a court order, or other legal or administrative reporting requirements;
4. If you consent by giving us your written permission;
5. To our employees, auditors, affiliates, service providers, or attorneys as needed;
6. In order to prevent, investigate or report possible illegal activity;
7. In order to issue authorizations for transactions on the Card;
8. As permitted by applicable law; or
9. Otherwise as necessary to fulfill our obligations under this Agreement and the terms applicable to the EFT service you are using.

Please see Robinhood's privacy policy, available at [about.robinkhod.com/legal](https://www.robinkhod.com/legal), and the applicable Bank's privacy policy, available at <https://www.suttonbank.com/kcms-doc/85/49033/WK-Privacy-Disclosure-1218.pdf>, for further details. (The Robinhood privacy policy and the applicable Bank's privacy policy are referred to collectively as the "Privacy Policies"). You hereby agree to Robinhood's and the Bank's collection, use and sharing of information about you and the Card as provided in the Privacy Policies, which are made a part of this Agreement. The Privacy Policies also tell you how you can (i) limit the ways in which Bank and Robinhood share information about you, or (ii) request corrections to the information that Bank or Robinhood maintain about you. You agree that information you provide in connection with your Card or other EFT services you use is being provided directly to both Robinhood as the holder of the Account associated with the service and the Bank as the Card issuer or provider of the EFT service, as applicable.

7. Documentation.

Terminal Transfers. You can get a receipt at the time you make any transfer to or from your Account using an ATM from the AllPoint or MoneyPass ATM networks or at the point of sale.

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 90 of 101 Page ID #:266

Preauthorized Credits. If you have arranged to have direct deposits made to your Account at least once every 60 days from the same person or company, the person or company making the deposit will tell you every time they send us the money. You can also check your Account online to see if a deposit has been received.

Periodic Statements. You will get a monthly Account statement, unless there are no transfers in a particular month. In any case you will get the statement at least quarterly. You may obtain information about the Available Funds in your Account and a history of your Cash Management transactions on the App.

8. Preauthorized Payments/Stop Payment Procedure and Notice of Varying Amounts.

You do not have the right to request that Robinhood in advance make regular payments out of your Account, although you may ask third parties to initiate regular payments out of your Account.

Right to stop payment: If you have automatic recurring payments taken out of your Account, you can stop any of these payments by contacting us at help@robinhood.com. You must contact us in time for us to receive your request at least three business days before the payment is scheduled to be made.

Notice of varying amounts: If these regular payments vary in amount, the party you are going to pay will tell you, 10 days before each payment, when the payment will be made and how much it will be. (The party you are going to pay may allow you to choose to get this notice only when the payment would differ by more than a certain amount from the previous payment, or when the amount would fall outside certain limits that you set.)

Liability for failure to stop payment of a preauthorized transfer: If you order us to stop a payment at least three business days before the transfer is scheduled and we do not do so, we will be liable for your losses or damages.

9. Our Liability.

If we do not complete a transaction to or from your Account on time or in the correct amount according to our Agreement with you, we will be liable for your losses or damages. However, there are some exceptions. We will not be liable, for instance:

1. If through no fault of Robinhood or the Bank, you do not have enough Available Funds in your Account to complete the transaction;
2. If a merchant refuses to accept your Card;
3. If an electronic terminal where you are making a transaction does not operate properly, and you knew about the problem when you initiated the transaction;
4. If access to your Card has been blocked after you reported your Card lost or stolen;
5. If there is a hold or your funds are subject to legal or administrative process or other encumbrance restricting their use;
6. If Robinhood or the Bank have reason to believe the requested transaction is unauthorized;
7. If circumstances beyond the control of Robinhood or the Bank (such as fire, flood, or computer or communication failure) prevent the completion of the transaction, despite reasonable precautions that Robinhood or the Bank have taken; or
8. For any other exception stated in this Agreement with you or by applicable law.

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 91 of 101 Page ID #:267

10. Errors or Questions About Electronic Transfers.

In case of errors or questions about your electronic transfers, including your Card transactions, or if you think your statement or receipt is wrong or if you need more information about a transaction listed on the statement or receipt, contact Robinhood by emailing help@robinhood.com. Robinhood must hear from you no later than sixty (60) days after you were sent the FIRST statement on which the problem or error appeared.

1. Tell Robinhood your name and account number.
2. Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.
3. Tell Robinhood the dollar amount of the suspected error.

Robinhood will determine whether an error occurred within ten (10) business days after Robinhood hears from you and will correct any error promptly. If Robinhood needs more time, however, it may take up to forty-five (45) days to investigate your complaint or question. If Robinhood decides to do this, Robinhood will credit your Account within ten (10) business days for the amount you think is in error, so that you will have the use of the money during the time it takes Robinhood to complete our investigation.

For errors involving new accounts, point of sale, or foreign initiated transactions, Robinhood may take up to ninety (90) days to investigate your complaint or question. For new accounts, Robinhood may take up to twenty (20) business days to credit your Account for the amount you think is in error.

Robinhood will tell you the results of our investigation within three (3) business days after completing the investigation. If Robinhood decides that there was no error, Robinhood will send you a written explanation. You may ask for copies of the documents that Robinhood used in our investigation.

293

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 92 of 101 Page ID
#:268

EXHIBIT E

Robinhood Terms & Conditions

Robinhood Financial LLC ("Robinhood Financial"), a wholly-owned subsidiary of Robinhood Markets, Inc. ("Robinhood Markets"), is a registered broker-dealer and member of FINRA and SIPC that provides online and mobile application-based discount stock brokerage services to self-directed investors.

These Terms and Conditions are in addition to any other agreements between you and Robinhood Financial and Robinhood Markets (collectively, "Robinhood"), including any customer or account agreements and any other agreements that govern your use of software, products, goods, services, content, tools, and information provided by Robinhood.

General

The Robinhood website and mobile application (collectively, the "Service") may include or make available certain content (the "Content"). Content includes, without limitation: (1) account positions, balances, transactions, confirmations, and order history; (2) general news and information, commentary, research reports, educational material and information and data concerning the financial markets, securities and other subjects; (3) market data¹ such as quotations for securities transactions and/or last sale information for completed securities transactions reported in accordance with federal securities regulations; (4) financial and investment interactive tools, such as alerts or calculators; (5) tax preparation, bill payment and account management tools; (6) company names, logos, product and service names, trade names, trademarks and services marks (collectively, "Marks") owned by Robinhood, and Marks owned by Third Party Providers (defined below); and (7) any other information, content, services, or software. Certain Content is furnished by third parties (each, a "Third-Party Provider" and collectively, the "Third-Party Providers"). Such Content ("Third Party Content") includes, without limitation, any information, content, service or software made available by or through social media websites, blogs, wikis, online conferences, telecasts, podcasts, and other forums (collectively, the "Forums"). Third Party Content may be available through framed areas or through hyperlinks to the Third-Party Providers' websites.

Acceptance of Terms and Conditions

By using the Service and the Content, you agree to follow and be bound by these Terms and Conditions, including the policies referenced herein. Customers of Robinhood are granted additional levels of access to the website and their relationship with Robinhood is governed by additional agreements and terms of use, such as the Customer Agreement.

Disclaimer and Limitations of Liability

The Content and the Service are provided on an "as is" and "as available" basis. To the fullest extent permitted under applicable law, Robinhood and the Third Party Providers expressly disclaim all warranties of any kind with respect to the Content and the Service, whether express or implied, including, but not limited to, the implied warranties of merchantability, fitness for a particular purpose and non-infringement. Neither Robinhood nor Third Party Providers guarantee the accuracy, timeliness, completeness or usefulness of any Content. You agree to use the Content and the Service only at your own risk.

Neither Robinhood nor the Third Party Providers explicitly or implicitly endorse or approve any Third Party Content. Third Party Content is provided for informational purposes only.

¹ Market Data by Xignite provides market data to Robinhood customers.

The Content is not intended to provide financial, legal, tax or investment advice or recommendations. You are solely responsible for determining whether any investment, investment strategy or related transaction is appropriate for you based on your personal investment objectives, financial circumstances and risk tolerance. You should consult your legal or tax professional regarding your specific situation.

ROBINHOOD AND THE THIRD PARTY PROVIDERS WILL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR EXEMPLARY DAMAGES, INCLUDING, BUT NOT LIMITED TO, DAMAGES FOR LOSS OF PROFITS, REVENUE, INCOME, GOODWILL, USE, DATA OR OTHER INTANGIBLE LOSSES (EVEN IF ROBINHOOD OR ANY THIRD PARTY PROVIDER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES), RESULTING FROM: (1) THE USE OF OR THE INABILITY TO USE THE CONTENT OR THE SERVICE; (2) THE COST OF PROCUREMENT OF SUBSTITUTE GOODS AND SERVICES RESULTING FROM ANY GOODS, DATA, INFORMATION OR SERVICES PURCHASED OR OBTAINED OR MESSAGES RECEIVED OR TRANSACTIONS ENTERED INTO, THROUGH OR FROM THE SERVICE; (3) ACCESS TO OR ALTERATION OF YOUR ACCOUNT, TRANSMISSIONS OR DATA DUE TO YOUR CONDUCT, INACTION OR NEGLIGENCE; OR (4) ANY OTHER MATTER RELATING TO THE CONTENT OR THE SERVICE.

No Recommendations or Investment Advice

Robinhood Financial provides self-directed investors with discount brokerage services, and does not make recommendations or offer investment advice of any kind. You are solely responsible for evaluating the merits and risks associated with the use of any Content provided through the Service before making any decisions based on such Content. You agree not to hold Robinhood or any Third-Party Provider liable for any possible claim for damages arising from any decision you make based on the Content or other information made available to you through the Service or any Third-Party Provider websites. Past performance data should not be construed as indicative of future results.

U.S. Residents Only

The Content and the Service are intended for United States residents only. They shall not be considered a solicitation to any person in any jurisdiction where such solicitation would be illegal.

Content

Content posted on the Service is published as of its stated date or, if no date is stated, the date of first posting. Neither Robinhood nor the Third-Party Providers have undertaken any duty to update any such information.

Robinhood does not prepare, edit, or endorse Third Party Content. Robinhood does not guarantee the accuracy, timeliness, completeness or usefulness of Third Party Content, and is not responsible or liable for any content, advertising, products, or other materials on or available from third party sites.

You will not hold Robinhood and/or any Third-Party Provider liable in any way for (a) any inaccuracy of, error or delay in, or omission of the Content; or (b) any loss or damage arising from or occasioned by i) any error or delay in the transmission of such Content, ii) interruption in any such Content due either to any negligent act or omission by any party to any "force majeure" (e.g., flood, extraordinary weather conditions, earthquake or other act of God, fire, war, insurrection, riot, labor dispute, accident, action of government, communications or power failure, equipment or software malfunction), or iii) to any other cause beyond the reasonable control of Robinhood and/or Third-Party Provider, or iv) non-performance.

Rhfv1.420160108

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 95 of 101 Page ID #:271

Any price quotes may be delayed 20 minutes or longer, according to the rules and regulations applicable to exchanges and Third Party Providers. Neither Robinhood nor the Third-Party Providers make any representations, warranties or other guarantees as to the accuracy or timeliness of any price quotes. Neither Robinhood nor the Third-Party Providers make any representations, warranties or other guarantees as to the present or future value or suitability of any sale, trade or other transaction involving any particular security or any other investment.

Content is provided exclusively for personal and noncommercial access and use. No part of the Service or Content may be copied, reproduced, republished, uploaded, posted, publicly displayed, encoded, translated, transmitted or distributed in any way (including "mirroring") to any other computer, server, web site or other medium for publication or distribution or for any commercial enterprise, without Robinhood's express prior written consent.

You acknowledge that Robinhood is the sole owner of Robinhood Marks and that other Marks are the property of their respective owners. You agree that you will not use any Marks for any purpose without the prior express written consent of the respective owners.

Termination; Modification

You agree that, without notice, Robinhood may terminate these Terms and Conditions, or suspend your access to the Service or the Content, with or without cause at any time and effective immediately. These Terms and Conditions will terminate immediately without notice from Robinhood if you, in Robinhood's sole discretion, fail to comply with any provision of these Terms and Conditions. Robinhood shall not be liable to you or any third party for the termination or suspension of the Service or the Content, or any claims related to such termination or suspension.

Robinhood and/or the Third-Party Providers may discontinue or modify the Content, or any portion thereof, at any time. You release and agree to indemnify and hold harmless Robinhood, and the Third-Party Providers, for any loss or damages arising from or relating to such discontinuation or modification.

Communications

By using the Service or the Content, you consent to any form of recording and retention of any communication, information and data exchanged between you and Robinhood or its representatives or agents.

All communications made at or through the Forums are public. Neither Robinhood nor the Third-Party Providers screen, review, approve or endorse any Third Party Content available on or through the Forums. Reliance on any Third Party Content available on or through the Forums is at your own risk. When discussing a particular company, stock or security in the Forums, you agree to reveal any ownership interest in such company, stock or security. Without limitation, you agree not to do any of the following:

- a) upload, post, transmit or otherwise make available any Content that is unlawful, harmful, threatening, abusive, harassing, tortuous, defamatory, vulgar, obscene, libelous, invasive of another's privacy (including, but not limited to, any address, email, phone number, or any other contact information without the written consent of the owner of such information), hateful, or racially, ethnically or otherwise objectionable;
- b) harm minors in any way;
- c) impersonate any person or entity, including, but not limited to, (i) a Robinhood or Third-Party Provider manager, employee, agent, or representative or (ii) forum leader, guide or host;
- d) falsely state or otherwise misrepresent your affiliation with any person or entity;
- e) forge headers or otherwise manipulate identifiers in order to disguise the origin of any material;
- f) upload, post or otherwise transmit any material that you do not have a right to transmit under any law or under contractual or fiduciary relationships (such as inside information, proprietary and

Rhfv1.420160108

confidential information learned or disclosed as part of employment relationships or under nondisclosure agreements);

- g) upload, post or otherwise transmit any material that infringes any patent, trademark, trade secret, copyright, rights of privacy or publicity, or other proprietary rights of any party;
- h) upload, post, or transmit unsolicited commercial email or "SPAM," including, but not limited to, unethical marketing, advertising, or any other practice that is in any way connected with SPAM, such as: (1) sending mass email to recipients who haven't requested email from you or with a fake return address; (2) promoting a site with inappropriate links, titles, or descriptions; or (3) promoting any site by posting multiple submissions in forums that are identical;
- i) upload, post or otherwise transmit any material that contains software viruses or any other computer code, files or programs designed to interrupt, destroy or limit the functionality of any computer software or hardware or telecommunications equipment;
- j) interfere with or disrupt the Service or servers or networks connected to the Service, or disobey any requirements, procedures, policies or regulations of networks connected to the Service;
- k) intentionally or unintentionally violate any applicable local, state, national or international law, including, but not limited to, regulations promulgated by the U.S. Securities and Exchange Commission, any rules of any national or other securities exchange, and any regulations having the force of law;
- l) "stalk" or otherwise harass another;
- m) collect or store personal data about other users of the Service;
- n) promote or provide instructional information about illegal activities, promote physical harm or injury against any group or individual, or promote any act of cruelty;
- o) promote, offer for sale or sell any security or item, good or service that i) violates any applicable federal, state, or local law or regulation, ii) you do not have full power and authority under all relevant laws and regulations to offer and sell, including all necessary licenses and authorizations, or iii) Robinhood or the Third-Party Providers determine, in their sole discretion, is inappropriate for sale;
- p) use the Forums as a forwarding service to another website; or
- q) access or otherwise use the Forums in any unlawful manner, for any unlawful purpose or in violation of these Terms and Conditions.

External Links

Robinhood and/or the Third-Party Providers may provide links to other websites or resources. Because neither Robinhood or the Third-Party Providers have any control over such sites and resources, you acknowledge and agree that neither Robinhood nor the Third Party Providers are responsible for the availability of such external sites or resources. Robinhood and the Third Party Providers do not endorse and are not liable for any content, advertising, products, or other materials on or available through such sites or resources. You further acknowledge and agree that neither Robinhood nor the Third Party Providers shall be responsible or liable, directly or indirectly, for any damage or loss caused or alleged to be caused by or in connection with use of or reliance on any such content, goods or services available on or through any such site or resource.

Applicable Policies

In addition to these Terms and Conditions, your access to and use of the Content and the Service is subject to Robinhood's then-current policies relating to the Content and the Service, including, without limitation, the Robinhood Privacy Policy available on the Service. You agree to be bound by these policies and all other Robinhood policies applicable to the access and use of the Content and the Service.

By using the Service, you are consenting to have your personal data transferred to and processed by Robinhood and its affiliates. As part of providing you the Service, Robinhood may need to provide you with certain communications, such as service announcements and administrative messages. These communications are considered part of the Service, which you may not be able to opt-out from receiving.

Rhfv1.420160108

Indemnification

You will indemnify and hold harmless Robinhood and the Third Party Providers, and the officers, directors, agents, partners, employees, licensors, distributors, and representatives of Robinhood and the Third Party Providers, from and against any and all claims, demands, actions, causes of action, suits, proceedings, losses, damages, costs, and expenses, including reasonable attorneys' fees, arising from or relating to your access and/or use of, or interaction with the Content (including, without limitation, Third Party Content), or any act, error, or omission of your use of your account or any user of your account, in connection therewith, including, but not limited to, matters relating to incorrect, incomplete, or misleading information; libel; invasion of privacy; infringement of a copyright, trade name, trademark, service mark, or other intellectual property; any defective product or any injury or damage to person or property caused by any products sold or otherwise distributed through or in connection with the Service; or violation of any applicable law.

Revisions

Robinhood may at any time revise these Terms and Conditions by updating this document. You agree to be bound by subsequent revisions and agree to review these Terms and Conditions periodically for changes. The most updated version of this document will be available for your review under the "Robinhood Terms and Conditions" link that appears on the Robinhood website and mobile application.

Applicable Law and Venue; Severability

You agree that these Terms and Conditions shall be governed by and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law. Any legal action or proceeding arising under these Terms and Conditions will be brought exclusively in courts located in Santa Clara County, California, and you hereby irrevocably consent to the personal jurisdiction and venue therein. If any provision of these Terms and Conditions is deemed unlawful, void or for any reason unenforceable, then that provision will be deemed severable from these Terms and Conditions and will not affect the validity and enforceability of the remaining provisions.

Rhfv1.420160108

299

Case 2:21-cv-00843-VAP-MRW Document 27-1 Filed 02/08/21 Page 98 of 101 Page ID
#:274

EXHIBIT F

300

2/4/2021 Case 2:21-cv-00843-VAP-MRW Document 322-8 Filed 08/09/21 Page 99 of 101 Page ID
#:275

Disclosure Library

RHF-RHS Customer Agreement

Robinhood Debit Card Agreement

RHF and RHS Insured Network Deposit (IND) Sweep Program Disclosures

FINRA - Customer Identification Program Notice

RHF and RHS Business Continuity Plan Summary

RHF ETF Disclosure

RHF Funds Availability

RHF Jurisdictions

RHF Low-Priced Securities Disclosure

RHF and RHS Margin Disclosure Statement

RHS Customer Margin and Short Account Agreement

RHS SEC Rule 606 and 607 Disclosure

RHF SEC Rule 606 and 607 Disclosure

RHF Privacy

Financial Privacy Notice

RHF Fee Schedule

RHF SIPC and Account Protection

RHF Use and Risk Disclosures

RHF Product Features Disclosures

Robinhood Terms & Conditions

RHF Day Trading Risk Disclosure

Robinhood Instant Agreement

Extended Hours Trading Disclosure

Robinhood Gold Agreement

<https://robinhood.com/us/en/about/legal/>

99
EXHIBIT F

1/3

301

Case 2:21-cv-00843-VAP-MRW Document 322-8 Filed 07/08/23 Page 100 of 101 Page ID
#276

Robinhood Gold Pricing

Options Agreement

Characteristics and Risks of Standardized Options

Options and Instant Agreement

Robinhood Crypto User Agreement

Robinhood Crypto Risk Disclosures

Robinhood Crypto Licenses

Robinhood Crypto Customer Code of Conduct

RHF Customer Relationship Summary

Fractional Shares Account Agreement Addendum

RHF Form CRS Responses to Conversation Starters

RHS Unaudited Statement of Financial Condition (June 30, 2020)

RHS Audited Statement of Financial Condition (December 31, 2019)

FINRA Rule 4340 Allocation Procedures



The 3-minute newsletter with fresh takes on the financial news you need to start your day.

name@email.com

Subscribe

Stocks & Funds

Options

Gold

<https://robinhood.com/us/en/about/legal/>

100
EXHIBIT F

2/3

302

2/4/2021 Case 2:21-cv-00843-VAP-MRW Document 322-8 Filed 07/08/23 Page 101 of 101 Page ID
#277

Cash Management

Crypto

Learn

Support

Snacks

About us

Careers

Blog



Check the background of the firm on FINRA's BrokerCheck

Brokerage Customer Relationship Summary

Robinhood Terms & Conditions

Disclosure Library

Privacy

© 2021 Robinhood. All rights reserved.

Robinhood means Robinhood Markets and its in-application and web experiences with its family of wholly owned subsidiaries which includes Robinhood Financial, Robinhood Securities, and Robinhood Crypto.

All investments involve risks, including the possible loss of capital.

Securities trading is offered to self-directed customers by Robinhood Financial. Robinhood Financial is a member of the [Financial Industry Regulatory Authority \(FINRA\)](#).



View Important Disclosures

Case 2:21-cv-00843-VAP-MRW Document 27-2 Filed 02/08/21 Page 1 of 8 Page ID #:278

1 Antony L. Ryan (*pro hac vice* pending)
 2 aryan@cravath.com
 3 Kevin J. Orsini (*pro hac vice* pending)
 4 korsini@cravath.com
 5 CRAVATH, SWAINE & MOORE LLP
 6 825 Eighth Avenue
 7 New York, New York 10019-7475
 8 Telephone: (212) 474-1000
 9 Facsimile: (212) 474-3700
 10 Naeun Rim (State Bar No. 263558)
 11 nrin@birdmarella.com
 12 Grace W. Kang (State Bar No. 271260)
 13 gkang@birdmarella.com
 14 BIRD, MARELLA, BOXER, WOLPERT, NESSIM,
 15 DROOKS, LINCENBERG & RHOW, P.C.
 16 1875 Century Park East, 23rd Floor
 17 Los Angeles, California 90067-2561
 18 Telephone: (310) 201-2100
 19 Facsimile: 310-201-2110

20 *Attorneys for Defendants Robinhood Financial LLC;*
 21 *Robinhood Securities, LLC; and Robinhood Markets, Inc.*

22 **UNITED STATES DISTRICT COURT**
 23 **CENTRAL DISTRICT OF CALIFORNIA**

24 LEVI COBOS, an individual on behalf
 25 of those similarly situated,

26 Plaintiff,
 27 v.

28 ROBINHOOD FINANCIAL LLC, a
 Delaware Corporation; ROBINHOOD
 SECURITIES, LLC, a Delaware
 Corporation; and ROBINHOOD
 MARKETS, INC., a Delaware
 corporation; and DOES 1 through 1000,
 inclusive,
 Defendants.

Case No. 21-cv-00843-VAP-MRW

[Related Cases 2:21-cv-00835-VAP
 (MRWx); 2:21-cv-00837-VAP
 (MRWx)]

DECLARATION OF SHIV VERMA

Judge: Hon. Virginia A. Phillips
 Courtroom: 8A
 Hearing Date: February 10, 2021
 Hearing Time: 10:00 A.M.

Case 2:21-cv-00843-VAP-MRW Document 27-2 Filed 02/08/21 Page 2 of 8 Page ID #:279

1 I, Shiv Verma, declare as follows:

2 1. I am the Head of Treasury, Finance & Strategy and Investor Relations
3 at Robinhood Markets, Inc. ("RHM"). I have been at Robinhood since 2018. In
4 my position, I am responsible for treasury, finance and strategy, as well as investor
5 relations. I report directly to Jason Warnick, the Chief Financial Officer of RHM.
6 I have personal knowledge of the facts stated in this declaration, except for those
7 matters stated on information and belief, and if called upon to do so, I could and
8 would so testify.

9 2. I respectfully submit this Declaration in support of Robinhood's
10 Opposition to Plaintiff's Motion for a Temporary Restraining Order.

11 **I. Background on Robinhood.**

12 3. RHM is a financial services company headquartered in Menlo Park,
13 California. RHM wholly owns Robinhood Financial LLC ("RHF"), which acts as
14 an introducing broker for its customers by taking their trade orders. RHF is
15 headquartered in Menlo Park, California. RHM also wholly owns Robinhood
16 Securities, LLC ("RHS"), which, as a member of SEC-registered clearinghouses,
17 serves as a clearing broker for RHF. In that capacity, RHS executes customer
18 orders received from RHF by routing them to market-makers and also clears and
19 settles trades for RHF. RHS's headquarters is registered with FINRA and the SEC
20 in Lake Mary, Florida. Throughout this Declaration, I refer to these three entities
21 collectively as "Robinhood."

22 **II. Role As Head of Treasury.**

23 4. As Head of Treasury, my role is to manage RHM's liquidity. I also
24 monitor RHF's and RHS's liquidity to ensure compliance with all regulatory and
25 clearinghouse deposit requirements. My team and I monitor whether there is
26 sufficient capital for Robinhood to serve its customers while also monitoring
27 obligations to our counterparties and under the law. Accordingly, we are required
28

Case 2:21-cv-00843-VAP-MRW Document 27-2 Filed 02/08/21 Page 3 of 8 Page ID #:280

1 to monitor and engage with a number of market participants that, collectively, form
 2 the infrastructure that enables Robinhood customers to trade in financial markets.

3 **III. Monitoring Capital Requirements.**

4 5. Broker-dealers are required to pay deposits to clearinghouses, such as
 5 the National Securities Clearing Corporation (“NSCC”). The deposit supports
 6 trades during the two-day settlement period (known as “T+2”) in which the
 7 clearinghouse delivers the stock to the buyer and the funds to the seller. To
 8 calculate the deposit requirements, clearinghouses look at, among other things, a
 9 firm’s customer holdings, including unsettled trades. They use a volatility
 10 multiplier, including looking at specific securities, to quantify their risk. The
 11 clearinghouse may assign additional charges to the broker-dealer’s deposit
 12 requirement depending on value-at-risk (“VaR”) calculations and the broker-
 13 dealer’s available net capital.

14 6. Broker-dealers must also comply with certain net capital requirements
 15 under an SEC rule known as the Uniform Net Capital Rule.

16 7. Between the clearinghouse deposit requirements and the requirements
 17 of the Uniform Net Capital Rule, RHF and RHS are required to monitor available
 18 liquidity to ensure that they are balancing customer demands and their obligations
 19 to the clearinghouses and federal regulators.

20 **IV. Unprecedented Volatility and Volume in the Market.**

21 8. During the week of January 25 to January 29, 2021, Robinhood saw a
 22 tremendous surge in demand for its services. Between January 28 and February 1,
 23 2021, hundreds of thousands of users opened new Robinhood accounts.

24 9. During this period, there was also a significant surge in market
 25 volatility and volume, which triggered a large increase in clearinghouse-mandated
 26 deposit requirements. During the week of January 25, 2021, Robinhood’s
 27 clearinghouse-mandated deposit requirements related to equities increased tenfold,
 28

Case 2:21-cv-00843-VAP-MRW Document 27-2 Filed 02/08/21 Page 4 of 8 Page ID #:281

1 or 1,000 percent. Individual volatile stocks accounted for hundreds of millions of
2 dollars in deposit requirements.

3 10. Robinhood monitored the stocks that were undergoing particularly
4 volatile price swings and began to take proactive measures to ensure that it could
5 support the trades in those particular stocks. For example, beginning on January
6 25, RHF began increasing its margin maintenance ratio for a number of these
7 volatile stocks to 100 percent. RHF also began limiting the number of options
8 contracts that customers could purchase on a security-by-security basis.

9 11. From January 25 to January 27, 2021, the NSCC increased RHS's
10 deposit requirements by several hundred million dollars as a result of the increased
11 volatility in the market and trading volume by Robinhood customers. RHS met
12 those increased deposit requirements.

13 12. Early on January 28, 2021, RHS's operations team received its daily
14 margin notice from the NSCC requesting an increase in RHS's deposit requirement
15 for that day to more than \$3 billion. This increase put RHS's deposit requirements
16 an order of magnitude above typical levels. I understand that RHS's operations
17 team promptly reached out to the NSCC to discuss the request. My role as Head of
18 Treasury at RHM was to support RHS in financial calculations and planning.

19 13. In discussions with the NSCC, RHS learned that a substantial portion
20 of the increased deposit requirement resulted from the NSCC's VaR calculation for
21 specific stocks, such as AMC Entertainment Holdings, Inc. ("AMC") and
22 GameStop Corp. ("GameStop" or "GME"). In addition, because RHS's VaR
23 charge exceeded its net capital, the NSCC imposed an additional special charge.
24 The NSCC notified RHS that the NSCC's Risk Committee was reviewing the
25 system generated margin calls. As a way to mitigate the sudden increase in the
26 NSCC deposit requirements, RHS proposed to the NSCC that, as a temporary
27 measure, it would limit customer purchases for certain volatile stocks that had
28 driven the increased deposit requirements. Based on the issues it was facing and

Case 2:21-cv-00843-VAP-MRW Document 27-2 Filed 02/08/21 Page 5 of 8 Page ID #:282

1 the discussions with the NSCC, RHS believed that these temporary restrictions
2 would help mitigate the increase in its clearinghouse deposit requirements by
3 eliminating or significantly reducing the special charge. Within several hours of
4 the discussion with NSCC concerning the temporary restrictions, the NSCC issued
5 an amended margin call that removed the special requirement, leaving only the
6 VaR charge of \$1.4 billion. By 10:00 a.m. Eastern Time on January 28, RHS
7 deposited approximately \$700 million in incremental deposit charges with the
8 NSCC to meet the revised deposit requirement for that day.

9 14. On January 28, 2021, RHS informed RHF that it would not accept
10 purchase orders for certain volatile stocks that had driven the increased deposit
11 requirements. As noted, RHS imposed these measures in order to reduce the
12 collateral deposits demanded by the NSCC to a manageable level, and RHS
13 expected that these actions would lead to such a result. To provide flexibility to
14 customers with existing positions, RHF permitted customers to sell their
15 positions—*i.e.*, a “position closing only” (“PCO”) restriction. As a result, RHF
16 maintained trading continuity for Robinhood customers at market opening and
17 enabled millions of customers to transact in thousands of other securities.

18 15. The PCO limitations were a necessary step for RHS to take to protect
19 the Firm, Robinhood customers, and the markets. The temporary restrictions on
20 specified securities helped RHS to comply with its clearinghouse deposit
21 requirements in the face of unprecedented volatility and volume, thereby allowing
22 the Firm to continue to serve Robinhood customers and comply with all trading
23 requirements and regulations. Nonetheless, broker-dealers like RHS may face
24 increased deposit requirements from clearinghouses at any time, necessitating the
25 continued need to monitor trading activity of volatile stocks.

26 16. While the PCO limitations temporarily prevented customers from
27 buying certain stocks, after market close on January 28, 2021, RHS informed RHF
28 that it could take steps to ease the restrictions. Rather than restrict certain stocks to

Case 2:21-cv-00843-VAP-MRW Document 27-2 Filed 02/08/21 Page 6 of 8 Page ID #:283

1 PCO trades, RHF permitted some additional purchases but set a maximum number
2 of shares or options contracts on a security-by-security basis that a customer could
3 purchase.

4 **V. Robinhood Draws On A Line of Credit and Raises Money From**
5 **Investors.**

6 17. To deal with the ongoing market volatility, Robinhood took actions to
7 ensure it has sufficient funds to comply with deposit requirements and to serve its
8 growing customer base. Such actions have ensured that customers continue to be
9 able to trade freely in thousands of securities, and have allowed RHF to reduce the
10 temporary restrictions on a small number of volatile securities that, as explained
11 above, were necessary to protect the firm and its customers.

12 18. One way in which Robinhood increased capital was to draw on
13 existing lines of credit, as is common in the normal course of operating its
14 business. On January 27 to January 28, 2021, Robinhood drew on existing lines of
15 credit.

16 19. Robinhood also raised capital from investors. Over the next several
17 days, Robinhood raised approximately \$3.4 billion, \$1 billion of which it
18 contributed to RHS. This fundraising was a strong sign of confidence from
19 investors that will help Robinhood continue to build for the future and further serve
20 its customers through the strong growth the company has seen this year.

21 20. RHS has applied the capital to support Robinhood customers' trades.

22 21. These additional funds, combined with the temporary restrictions,
23 enabled RHS to continue to execute trades for its customers and to continue its
24 mission to democratize finance for all by providing access to the financial markets
25 to everyone.

Case 2:21-cv-00843-VAP-MRW Document 27-2 Filed 02/08/21 Page 7 of 8 Page ID #:284

1 **VI. No Citadel Entity or Other Third Party Was Involved In**
 2 **Robinhood's Decision-Making.**

3 22. I am familiar with the recent rumors on social media and in the press
 4 suggesting that Citadel LLC ("Citadel"), a hedge fund, or Citadel Securities LLC
 5 ("Citadel Securities"), a market maker, has an ownership interest in Robinhood,
 6 and that Citadel or Citadel Securities played a role in Robinhood's decision to
 7 restrict trades of certain volatile stocks during the weeks of January 25 and
 8 February 1, 2021. These rumors and speculation are false.

9 23. Neither Citadel nor Citadel Securities has an ownership stake in
 10 Robinhood. I am unaware of any indirect ownership stake by Citadel or Citadel
 11 Securities in Robinhood.

12 24. To the best of my knowledge based on my involvement in the
 13 discussions concerning RHS's decision to apply these limited restrictions, no third
 14 party, including Citadel and Citadel Securities, requested that Robinhood apply
 15 restrictions on stock or options trading or played any role in RHS's decision to
 16 apply limited restrictions on stock and options purchases in certain securities.

17 25. As of January 27, 2021 and through the present, RHM did not hold,
 18 and has not held, short positions in GameStop, AMC or Blackberry, Ltd. I
 19 understand that no Robinhood customers held short positions in any of those
 20 securities through Robinhood, as the Robinhood app and website do not permit
 21 short selling.

22 **VII. The Need for Broker-Dealer Discretion Over Trading Restrictions.**

23 26. I understand that the plaintiff in this action seeks a court order to
 24 require Robinhood to remove any trading restrictions or limitations on specific
 25 securities. Such an order would be dangerous for the financial system. If
 26 Robinhood were to lose the ability to temporarily restrict or limit trading in
 27 response to rapidly changing market conditions, it would be unable to protect
 28

DocuSign Envelope ID: D22E9595-8086-4816-B504-1B757864D8
Case 2:21-cr-00645-VAR-MRW Document 27-2 Filed 02/08/21 Page 8 of 8 Page ID #:285

1 itself, its customers, and the markets during periods of significant volatility and
2 enhanced risk.

3 27. As recent events make clear, in times of extreme volatility and high
4 trading volume, collateral deposit requirements, which exist to protect investors,
5 can increase significantly—including by hundreds of millions or even several
6 billion dollars overnight.

7 28. The steps Robinhood has taken in recent days to draw on its line of
8 credit and raise money from investors, as set forth above, have substantially
9 increased RHS's net capital and liquid assets and thereby enable it to support
10 customer trading in more extreme market conditions. Raising capital cannot be the
11 only tool through which a broker-dealer can address stressed market conditions.
12 Indeed, no amount of raised capital could support limitless T+2 settlement. Like
13 any broker-dealer, Robinhood must have the ability to impose risk management
14 measures like trading restrictions or limitations, if necessary, to address conditions
15 of extreme market volatility.

16 I declare under penalty of perjury that the foregoing is true and correct.

17 Executed February 8, 2021, at Menlo Park, California.

18 *Shiv Verma*

19 _____
20 Shiv Verma
21
22
23
24
25
26
27
28

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 1 of 11 Page ID #:286

1 Antony L. Ryan (*pro hac vice* pending)
 2 aryan@cravath.com
 3 Kevin J. Orsini (*pro hac vice* pending)
 4 korsini@cravath.com
 5 CRAVATH, SWAINE & MOORE LLP
 6 825 Eighth Avenue
 7 New York, New York 10019-7475
 8 Telephone: (212) 474-1000
 9 Facsimile: (212) 474-3700
 10 Naeun Rim (State Bar No. 263558)
 11 nrin@birdmarella.com
 12 Grace W. Kang (State Bar No. 271260)
 13 gkang@birdmarella.com
 14 BIRD, MARELLA, BOXER, WOLPERT, NESSIM,
 15 DROOKS, LINCENBERG & RHOW, P.C.
 16 1875 Century Park East, 23rd Floor
 17 Los Angeles, California 90067-2561
 18 Telephone: (310) 201-2100
 19 Facsimile: 310-201-2110

20 *Attorneys for Defendants Robinhood Financial LLC;*
 21 *Robinhood Securities, LLC; and Robinhood Markets, Inc.*

22
 23
 24
 25
 26
 27
 28

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

<p>17 LEVI COBOS, an individual on behalf 18 of those similarly situated, 19 Plaintiff, 20 v.</p> <p>21 ROBINHOOD FINANCIAL LLC, a 22 Delaware Corporation; ROBINHOOD 23 SECURITIES, LLC, a Delaware 24 Corporation; and ROBINHOOD 25 MARKETS, INC., a Delaware 26 corporation; and DOES 1 through 1000, 27 inclusive, 28 Defendants.</p>	<p>Case No. 21-cv-00843-VAP-MRW</p> <p>[Related Cases 2:21-cv-00835-VAP (MRWx); 2:21-cv-00837-VAP (MRWx)]</p> <p>DECLARATION OF JAMES SWARTWOUT</p> <p>Judge: Hon. Virginia A. Phillips Courtroom: 8A Hearing Date: February 10, 2021 Hearing Time: 10:00 A.M.</p>
---	---

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 2 of 11 Page ID #:287

1 I, James Swartwout, declare as follows:

2 1. I am the President and Chief Operating Officer of Robinhood
3 Securities, LLC ("RHS"). I have been employed at Robinhood since 2019. In my
4 position, I am responsible for sales operations and customer engagement issues. I
5 also manage RHS's operations team. I have personal knowledge of the facts stated
6 in this declaration, except for those matters stated on information and belief, and if
7 called upon to do so, I could and would so testify.

8 2. I respectfully submit this Declaration in support of Robinhood's
9 Opposition to Plaintiff's Motion for a Temporary Restraining Order.

10 3. Robinhood Markets, Inc. ("RHM") is a financial services company
11 headquartered in Menlo Park, California. RHM wholly owns Robinhood Financial
12 LLC ("RHF"), which acts as an introducing broker for its customers by taking their
13 trade orders. RHF is headquartered in Menlo Park, California. RHM also wholly
14 owns RHS, which, as a member of SEC-registered clearinghouses, serves as a
15 clearing broker for RHF. In that capacity, RHS executes customer orders received
16 from RHF by routing them to market-makers and also clears and settles trades for
17 RHF. RHS's headquarters is registered with FINRA and the SEC in Lake Mary,
18 Florida. Throughout this Declaration, I refer to these three entities collectively as
19 "Robinhood."

20 4. In my capacity as President and Chief Operating Office at RHS, I lead
21 teams responsible for the margin lending, risk assessment of introduced customer
22 accounts as well as order routing and best execution. In the ordinary course of
23 business, RHS monitors and adjusts requirements for customer margin restrictions
24 and trading restrictions. This includes removing symbols no longer eligible for
25 trading at RHS. In addition, RHS monitors market fluctuations and makes risk-
26 based assessments for increases in initial margin and margin maintenance
27 requirements as deemed appropriate by the business. As a matter of course, RHS
28

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 3 of 11 Page ID #:288

1 does not permit trading in certain security equities, does not allow naked options,
 2 short selling of stock, trading in mutual funds, bonds and other securities.

3 **I. Clearinghouse Deposits.**

4 5. As broker-dealers, both RHF and RHS are registered with the U.S.
 5 Securities and Exchange Commission ("SEC"), and are members of the Financial
 6 Industry Regulatory Authority ("FINRA") and the Securities Investor Protection
 7 Corporation ("SIPC"). RHS is also a member of several clearinghouses and as
 8 such is bound by membership rules for the clearinghouses with which Robinhood
 9 transacts to fulfill customer orders.

10 6. Specifically, our introducing broker, RHF, interfaces with customers
 11 to take their trade orders. RHS then takes those orders from RHF and executes or
 12 routes them to other broker-dealers called market makers for execution. Once the
 13 trades have been executed, RHS then submits them to clearinghouses for post-trade
 14 processing, including clearance and settlement. Clearinghouses typically
 15 intermediate transactions between market participants through a process of
 16 continuous net settlement, becoming the guarantor of each transaction. They also
 17 process payments and securities deliveries and maintain records of securities
 18 ownership. Among their required functions in connection with clearance and
 19 settlement is to protect investors and the markets by making sure that participants
 20 like brokerage firms have sufficient funds available to settle the trades they have
 21 made for their customers and, in the event of a member failure, to mutualize risk.
 22 For stocks and exchange traded funds ("ETFs") in the United States, the main
 23 clearinghouse is the National Securities Clearing Corporation ("NSCC"), which is
 24 part of a larger clearing organization called the Depository Trust & Clearing
 25 Corporation ("DTCC"). For options in the United States, the main clearinghouse
 26 is the Options Clearing Corporation ("OCC").

27 7. Securities clearinghouses are self-regulatory organizations overseen
 28 by the SEC. The clearinghouses are required to have member rules, which are

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 4 of 11 Page ID #:289

1 approved by the SEC, to ensure, among other things, that members appropriately
2 cover the potential credit risk to counterparties from customers' trades, which
3 includes requiring members to deposit cash or securities at the clearinghouse to
4 cover related settlement obligations. A clearinghouse may ask its members to
5 increase their deposits at times when the clearinghouse determines that they are
6 submitting trades of a type or volume that the clearinghouse views as increasing
7 overall risk. The aim is to reduce the likelihood that the clearinghouse will be
8 exposed to unsecured liabilities in the event of a member's failure and to mutualize
9 risk among other members by permitting the clearinghouse to access their deposits
10 to pay or replace contracts if a member fails. As a clearing broker that is a member
11 of the NSCC and OCC, RHS is subject to the NSCC's and OCC's cash deposit and
12 collateral requirements, which may fluctuate based on the nature and volume of
13 Robinhood's customers' trading activity and market volatility.

14 8. After signing up and receiving approval to use Robinhood's app or
15 website, customers may invest in listed stocks and ETFs without paying
16 Robinhood any commission, across over 5,000 available securities. In addition to
17 stocks and ETFs, Robinhood customers may also get approved to trade options
18 contracts using the Robinhood app or website.

19 9. When a Robinhood customer buys or sells a security on the
20 Robinhood app or website, the trade may appear to be executed nearly
21 instantaneously. But behind the scenes, the trade takes two days after the trade
22 date to settle and involves clearinghouses.

23 10. When a Robinhood customer buys or sells a security, RHF, as the
24 introducing broker, sends the order to RHS, the clearing broker, which executes or
25 routes the order for execution to a market maker and submits the resulting trade to
26 a clearinghouse for clearance and settlement. For equities, it takes two days for the
27 clearinghouse to process the transaction and effect the related transfers of cash and
28 securities between buyers and sellers. This is known as "T+2" settlement,

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 5 of 11 Page ID #:290

1 denoting the trade date plus a two-day “settlement period.” To cover the open
2 settlement risk during the settlement period, RHS is required to place a deposit at
3 the clearinghouse to cover the risk until the trade “settles.”

4 11. The two-day period between execution and settlement creates a
5 potential risk for the clearinghouse that either the buyer or the seller defaults on its
6 obligation to complete the trade. As the clearinghouse determines that the risk is
7 increasing, a clearinghouse may increase the broker-dealer’s required deposits. To
8 calculate the deposit requirements, clearinghouses look at a firm’s customer
9 holdings, including unsettled trades. They use a volatility multiplier, including
10 looking at specific stocks, to quantify their risk. The clearinghouse may assign
11 additional charges to the broker-dealer’s deposit requirement depending on value-
12 at-risk (“VaR”) calculations and the broker-dealer’s available net capital. For
13 example, if a broker-dealer’s customers have submitted more orders to purchase
14 than to sell a particular security and the price of the security that the broker-
15 dealer’s customers are buying is more volatile, then the resulting deposit
16 requirement will generally be higher.

17 12. In order to clear and settle customer transactions, each trading day by
18 10:00 a.m. Eastern Time, clearing brokers like RHS must satisfy the NSCC’s
19 deposit requirements, often referred to as margin, to support their customer trades
20 during the settlement period. Depending on a particular day’s deposit requirement
21 at the clearinghouse, RHS may be required to deposit additional money with the
22 clearinghouse that day. Clearinghouses can also require RHS to deposit additional
23 money throughout the day.

24 13. Ultimately, this system of clearinghouses and collateral requirements
25 is designed to minimize risk in the financial system in the event a market
26 participant becomes unable to pay for securities it has purchased or deliver
27 securities it has sold between the time of purchase or sale and settlement. The
28 deposit requirements serve as a protection against the risk of these failures.

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 6 of 11 Page ID #:291

1 **II. Net Capital Requirements.**

2 14. In addition to clearinghouse requirements, as broker-dealers, RHF and
 3 RHF are subject to SEC regulations that require broker-dealers to maintain certain
 4 levels of regulatory capital to ensure the ability to promptly satisfy their liabilities
 5 at all times. The SEC's primary rule is generally referred to as the "Uniform Net
 6 Capital" rule, which sets forth a methodology for computing a broker-dealer's net
 7 capital, sets forth minimum net capital levels which must be maintained at all
 8 times, establishes notification requirements in the event that a broker-dealer's level
 9 of net capital falls below certain minimum thresholds, and sets restrictions on
 10 broker-dealer activities when capital falls below certain levels. The Uniform Net
 11 Capital Rule functions as a net liquid assets requirement insofar as the rule
 12 recognizes only liquid assets as contributing to regulatory capital.

13 15. The purpose of the Uniform Net Capital Rule is to protect customers,
 14 creditors and counterparties by preventing broker-dealer failures and ensuring that
 15 broker-dealers that do fail have enough liquid assets to satisfy claims promptly.
 16 The rule thereby serves to protect the financial system and ordinary investors.

17 16. The Uniform Net Capital Rule imposes a "moment to moment"
 18 requirement, meaning that broker-dealers must ensure compliance with the rule at
 19 all times. SEC and FINRA rules require notification when net capital falls below
 20 certain defined "early warning" levels. The purpose of these notifications is to
 21 provide warning to regulators that the broker-dealer may be approaching a state
 22 where it would have insufficient liquid assets to support its customer trades, so that
 23 the regulators can consider intervening prior to bankruptcy.

24 17. To ensure compliance with the Uniform Net Capital Rule, broker-
 25 dealers perform repeated net capital computations. The calculation begins with the
 26 broker-dealer's ownership equity under Generally Accepted Accounting Principles
 27 ("GAAP"). The broker-dealer is then required to perform adjustments by
 28 deducting illiquid assets, and applying variable "haircuts" or charges to risky assets

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 7 of 11 Page ID #:292

1 such as securities to compensate for market and credit risks. The resulting figure is
2 the broker-dealer's regulatory capital. This amount is then compared to various
3 minimums based on the broker-dealer's types and volume of activity.

4 18. If a broker-dealer were to fail to maintain specified levels of
5 regulatory capital, that entity could be subject to immediate suspension or
6 revocation of registration, which could lead to the liquidation of that broker-
7 dealer's holdings on behalf of customers and eliminate the broker-dealer's ability
8 to serve its customers.

9 **III. RHS Enacts Limitations on the Exercise of OTM Options.**

10 19. As part of its ordinary operations, Robinhood tracks data concerning,
11 among other things, customers' exercise of options contracts, a type of security
12 available to Robinhood's customers.

13 20. One type of options contract is a call option, which gives its owner the
14 right, but not the obligation, to buy a specified amount of stock at a specified price
15 (the "strike price") by a specific date (the "expiration date"). When a customer
16 buys a call option, he or she is generally hoping that the stock price will rise above
17 the strike price before the expiration date. If the stock rises above the strike price,
18 a call option is said to be in the money ("ITM"). The customer has the right to buy
19 the stock at the strike price even though the stock is trading at a higher price in the
20 open market. By contrast, if the stock price is below the strike price at a particular
21 time prior to expiration of the option, the option is out of the money ("OTM") at
22 that time. If the stock does not rise above the strike price by the time the option
23 expires, there generally is no reason for the customer to exercise the call option,
24 and the contract will simply expire by its own terms.

25 21. Customers can also buy and sell put options. A put option gives its
26 owner the right, but not the obligation, to sell a specific amount of stock at a strike
27 price. If the price of the stock declines below the strike price, the put option is
28 ITM, and it is profitable for the owner to exercise that option.

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 8 of 11 Page ID #:293

1 22. In January 2021, Robinhood became aware that some customers were
 2 occasionally exercising OTM options, causing them to suffer losses immediately
 3 upon exercise. This issue continued despite Robinhood's warnings and education
 4 available in-app and on its website.

5 23. To prevent these unnecessary customer losses, RHS requested, and
 6 RHF implemented, a procedure requiring customers to speak to a live broker
 7 before exercising OTM options. This requirement was intended to provide an
 8 opportunity for the broker to explain to the customer the downsides of exercising
 9 an OTM option. This procedure remained in effect through Thursday, January 28,
 10 2021. Beginning on Friday, January 29, 2021, RHF stopped permitting customers
 11 to exercise OTM options altogether.

12 24. At no time on or since January 27, 2021, did Robinhood restrict a
 13 customer's ability to exercise ITM options.

14 **IV. The NSCC Demands Over \$3 Billion In Additional Deposits.**

15 25. Early on Thursday, January 28, 2021, RHS's operations team received
 16 its daily margin notice from the NSCC requesting a more than \$3 billion increase
 17 in RHS's deposit requirement for that day. This increase put RHS's deposit
 18 requirements an order of magnitude above typical levels. RHS's operations team
 19 promptly reached out to the NSCC to discuss the request.

20 26. In discussions with the NSCC, RHS learned that a substantial portion
 21 of the increased deposit requirement resulted from the NSCC's VaR calculation for
 22 specific stocks, such as AMC Entertainment Holdings, Inc. ("AMC") and
 23 GameStop Corp. ("GameStop" or "GME"). In addition, because RHS's VaR
 24 charge exceeded its net capital, the NSCC imposed an additional special charge.
 25 The NSCC notified RHS that the NSCC's Risk Committee was reviewing the
 26 system generated margin calls. As a way to mitigate the sudden increase in the
 27 NSCC deposit requirements, RHS proposed to the NSCC that, as a temporary
 28 measure, it would limit customer purchases for certain volatile stocks that had

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 9 of 11 Page ID #:294

1 driven the increased deposit requirements. Based on the issues it was facing and
2 the discussions with the NSCC, RHS believed that these temporary restrictions
3 would help mitigate the increase in its clearinghouse deposit requirements by
4 eliminating or significantly reducing the special charge. Within several hours of
5 the discussion with NSCC concerning the temporary restrictions, the NSCC issued
6 an amended margin call that removed the special requirement, leaving only the
7 VaR charge of \$1.4 billion. By 10:00 a.m. Eastern Time on January 28, RHS
8 deposited approximately \$700 million in incremental deposit charges with the
9 NSCC to meet the revised deposit requirement for that day.

10 27. On January 28, 2021, RHS informed RHF that it would not accept
11 purchase orders for certain volatile stocks that had driven the increased deposit
12 requirements. As noted, RHS imposed these measures in order to reduce the
13 collateral deposits demanded by the NSCC to a manageable level, and RHS
14 expected that these actions would lead to such a result. To provide flexibility to
15 customers with existing positions, RHF permitted customers to sell their
16 positions—*i.e.*, a “position closing only” (“PCO”) restriction. As a result, RHF
17 maintained trading continuity for Robinhood customers at market opening and
18 enabled millions of customers to transact in thousands of other securities.

19 28. The PCO limitations were a necessary step for RHS to take to protect
20 the Firm, Robinhood customers, and the markets. The temporary restrictions on
21 specified securities helped RHS to comply with its clearinghouse deposit
22 requirements in the face of unprecedented volatility and volume, thereby allowing
23 the Firm to continue to serve Robinhood customers and comply with all trading
24 requirements and regulations. Nonetheless, broker-dealers like RHS may face
25 increased deposit requirements from clearinghouses at any time, necessitating the
26 continued need to monitor trading activity of volatile stocks.

27 29. I understand that taking steps to place PCOs on selected volatile
28 securities was not unique to RHS. Certain other broker-dealers also placed

Case 2:21-cv-00843-VAP-MRW Document 27-3 Filed 02/08/21 Page 10 of 11 Page ID
#:295

1 restrictions on certain volatile securities due to these unprecedented market
2 conditions.

3 **V. Subsequent Revisions to the Trading Restrictions.**

4 30. In the following days, RHS revised the limitations on customer
5 purchases of certain securities as market conditions permitted. For example, as of
6 February 3, 2021, RHS informed RHF that it would accept purchase orders for all
7 securities except for AMC and GME—both of which customers could still
8 purchase up to certain share and options contract limits.

9 31. As of February 4, 2021, restrictions remained in place for only AMC
10 (up to 5,500 shares; up to 5,000 options contracts) and GME (up to 500 shares; up
11 to 500 options contracts).

12 32. As of February 5, 2021, the temporary restrictions have been
13 eliminated entirely.

14 **VI. No Citadel Entity or Other Third Party Was Involved In**
15 **Robinhood's Decision-Making.**

16 33. I am familiar with speculation on social media and in the press
17 suggesting that Citadel LLC ("Citadel"), a hedge fund, or Citadel Securities LLC
18 ("Citadel Securities"), a market maker, played a role in RHS's decision to instruct
19 RHF to restrict trades of certain volatile stocks during the weeks of January 25 and
20 February 1, 2021. This speculation is completely false.

21 34. To the best of my knowledge, no third party, including either Citadel
22 or Citadel Securities, requested that Robinhood apply restrictions on stock or
23 options trading or played any role in connection with RHS's decision on January
24 28, 2021 to apply limited restrictions on stock and options trading in certain
25 securities. This was a decision I made on behalf of RHS and in consultation with
26 my operations team at RHS and others at Robinhood.

27 35. As of January 27, 2021 and through the present, RHS did not hold,
28 and has not held, short positions in GameStop, AMC or BlackBerry, Ltd. Nor did

321

DocuSign Envelope ID: 736B3EAD-BE02-44CD-9946-B5A56A732148

Case 2:21-cr-00043-VAF-MRW Document 27-3 Filed 02/08/21 Page 11 of 11 Page ID
#:296

1 Robinhood customers hold short positions in any of those securities through
2 Robinhood, as the Robinhood app and website do not permit short selling.

3 I declare under penalty of perjury that the foregoing is true and correct.
4 Executed February 8, 2021, at Lake Mary, Florida.
5
6

James Swartwout

James Swartwout